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Govt to tap Islamic banking liquidity for infrastructure developments

By **Shahnawaz Akhter**

KARACHI: The government has a desire to utilise the surplus liquidity of the Islamic banks to fund the infrastructure development in the country, Finance Minister Ishaq Dar said on Monday.

"There has been an instruction from the finance ministry that wherever there is need to raise funds the first priority should be given to the Islamic finance system," Dar said, addressing the inaugural session of the World Islamic Finance Forum - 2016.

He also hoped that the liquidity would also be used to fund the projects under the

China-Pakistan Economic Corridor.

The minister said a committee to promote Islamic banking will be notified within this week. He said the committee will be responsible to make a roadmap for the Islamic financial system.

He said the importance of Islamic financial system was realised during the financial crisis of 2008. Pakistan was pioneer in the promotion of the system but unfortunately the initiatives could not produce results. "However, now this system grows parallel to the conventional system," he added.

Minister Dar said con-

straints facing the industry need to be addressed.

He said amendments into the SBP Act were introduced to allow the central bank to issue Islamic financial instruments.

Sukuks bear the same taxation as the conventional bonds, he said.

The minister said the Islamic financial system needs to use modern technology to reduce the cost of operations.

He said the industry has concentrated on a few sectors for the past many years.

The industry is still at the evolutionary stage, he said.

SBP Governor Ashraf Mahmood Wathra said Pakistan was the main contributor to the

growth of Islamic finance system in the world.

Wathra said global Islamic financial system has expanded to \$1.8 trillion from the meagre \$150 billion in 1990. It will reach to \$6.5 trillion by 2020, he added.

Citing the International Financial Services Board, he said Pakistan is the potential leader of the world's Islamic financial system.

The central bank issued regulatory framework to improve legal infrastructure and enhance disclosure requirements.

Wathra said the Islamic finance industry lacks professionals and desired skills. "In-

dustry needs attention and ownership," he said.

Taqi Usmani, who chairs the Shariah boards of various institutions, said the previously-constituted steering committee failed to produce results.

Usmani said it is commonly said that a system cannot be changed overnight. "But, we have been hearing this for the past 70 years," he added.

He called for a political will and time-bound phased program to transform the Islamic financial system.

The Shariah expert said the financial inclusion is improving and deposits are increasing, "but investment opportunities are scarce."

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